

# ANALYSIS OF ORIGINAL BILL

## Franchise Tax Board

Author: La Suer Analyst: LuAnna Hass Bill Number: AB 2388  
Related Bills: See Legislative History Telephone: 845-7478 Introduced Date: February 21, 2002  
Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Court-Ordered Debt Collections/Extend Sunset Date

### SUMMARY

This bill would extend the sunset date of the Franchise Tax Board's (FTB) court ordered debt (COD) collection program.

### PURPOSE OF THE BILL

The author's office has indicated that the purpose of the bill is to allow FTB continuing authority to collect court-ordered debts.

### EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative January 1, 2003.

### POSITION

Pending.

### ANALYSIS

#### FEDERAL/STATE LAW

State law authorizes FTB to administer several non-tax programs, one of which is the COD program.

FTB's COD program collects fines, state or local penalties, forfeitures, restitution fines, restitution orders, or any other amounts imposed by a superior or municipal court of the State of California. Only those amounts equal to or exceeding \$250 in the aggregate is referred to FTB for collection. The amounts that are referred include those imposed for violating the Vehicle Code except those relating to parking or registration or offenses by pedestrians or bicyclists. FTB is authorized to collect the referred amounts as though they are delinquent personal income taxes.

Under current law, FTB's COD collection program would sunset January 1, 2003, unless legislation is enacted to extend it or make it permanent.

#### Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

#### Department Director

#### Date

Alan Hunter for GHG

04/02/02

## THIS BILL

This bill would extend the sunset date for FTB's COD collection program for three years to January 1, 2006.

## IMPLEMENTATION CONSIDERATIONS

Since this provision would extend an existing collection program, implementation of this provision would not significantly impact the department's programs and operations.

## **LEGISLATIVE HISTORY**

SB 1310 (Vasconcellos, Stats. 2000, Ch. 940) extended for one year, until January 1, 2003, the sunset of the COD collection pilot program administered by FTB and required FTB to address in its report, which was due to the Legislature on or before April 1, 2001, the feasibility and advisability of expanding the COD collection program to accept referrals from all 58 counties.

SB 1106 (Senate Revenue and Taxation Committee, Stats. 1997, Ch. 604) extended the COD pilot program by three years to January 1, 2002, increased the program's cost cap to 15%, and clarified the types of debt that FTB could collect.

AB 3343 (Hannigan, Stats. 1994, Ch. 1242) authorized counties or the state to refer to FTB for collection CODs under a pilot program beginning January 1, 1995, and expiring January 1, 1999.

## **PROGRAM BACKGROUND**

FTB's COD program began January 1, 1995. Client participation in the program is voluntary and the department currently has 22 clients (out of approximately 80 total clients available in California) and the California Victim Compensation and Government Claims Board (formerly Board of Control) participating in the program. All funds collected are deposited into the Court Collection Fund, which was created for the COD program. The balance of the account (minus FTB's administrative fee of up to 15%) is transferred to the courts, counties, or state agency to which the debt is owed.

As required under current law, FTB submitted a report to the Legislature in early 2001 that outlined the results of the COD collection program. As of February 2002, the department has received just over 737,000 case referrals, resulting in approximately \$70.8 million in collections. According to the report submitted in 2001, several additional counties have expressed an interest in joining the COD program if the sunset date were removed, which would further increase collection potential.

## **OTHER STATES' INFORMATION**

Since this provision extends the sunset date of an already existing California collection program, a review of the court-ordered debt collection practices of other states does not offer a meaningful comparison.

## **FISCAL IMPACT**

This bill would not significantly impact the department's costs. Under current law, the department's cost to administer this program is reimbursed through the amounts the department collects. The department receives up to 15% of any amount collected.

## **ECONOMIC IMPACT**

### Collection Estimate

Collection Impact of AB 2388 For Collections After 1/1/2003 Fiscal Year Impact (In Millions \$)		
2002-03	2003-04	2004-05
\$10	\$30	\$35

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this proposal.

### Collection Discussion

The collection impact of this bill would depend on the number of court-ordered debt cases referred to FTB for collections and the average amount of collections for each case.

This estimate is based on the results of FTB's existing COD collection program. The timing of collections is integral to this estimate because (1) accounts that are referred in the later part of a fiscal year typically would not result in collections until the next fiscal year, and (2) during a given fiscal year, in addition to single payments attributable to new collection actions taken on new referrals, multiple, ongoing payments would be coming in as a result of wage levies issued or payment arrangements made on older referrals from prior fiscal years.

## **LEGISLATIVE STAFF CONTACT**

LuAnna Hass  
Franchise Tax Board  
845-7478

Brian Putler  
Franchise Tax Board  
845-6333